

Message Text

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INFO OCT-01 ARA-10 ISO-00 EB-05 SS-20 RSC-01 /037 R

66632

DRAFTED BY: COM/BIC/OED/MEPD/JSMITH/LAW

APPROVED BY: EB/OCA/REP:RCJORGENSEN

COM/BIC/OED/MEPD/JMSANDS

COMBIC/OIM/TJOHNSON (INFO)

STATE/ARA/BR/JSLATTERY (PHONE)

----- 057273

R 231911Z OCT 73

FM SECSTATE WASHDC

TO AMCONSUL RIO DE JANEIRO

INFO AMEMBASSY BRASILIA

AMCONSUL SAO PAULO

C O N F I D E N T I A L STATE 209056

E.O. 11652: GDS

TAGS: BMEP, BR

SUBJ: RAILWAY CARS FOR BRAZIL

REF: A) STATE 204378; B) STATE 202713; C) RIO DE
JANEIRO 3798 ET AL

1. UPON RECEIPT REFTEL C (CROSSED WITH REFTELS A AND
B), MAJOR EXPORT PROJECTS DIVISION CONTACTED ACF
INDUSTRIES TO DISCUSS BIDDING SITUATION. MR. A.
FERNANDEZ OF ACF'S NEW YORK OPERATION RAISED SEVERAL
INTERESTING POINTS ABOUT WHICH CONGEN MAY NOT BE
AWARE.

2. FERNANDEZ INFORMED US THAT ACF IS NOT CONCERNED WITH
BID DEADLINE SINCE IT DOES NOT BELIEVE THIS INITIAL
TENDER IS SERIOUS OFFER TO OBTAIN ORDER. HE STATED
THAT ACF HAS INFORMED BRAZILIANS DIRECTLY THAT IT DOES
NOT YET HAVE SPECIFICATIONS, THAT EXTENSIVE
ENGINEERING DESIGN WORK WILL BE NECESSARY BEFORE FIRM
CAN PREPARE BID FOR NARROW GAUGE CARS, AND THAT ANY FIRM
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WILL REQUIRE FOUR TO EIGHT WEEKS AFTER RECEIPT OF

SPECIFICATIONS BEFORE ADEQUATE BID CAN BE PREPARED. FURTHERMORE, FERNANDEZ UNDERSTANDS THAT BRAZILIANS ARE CALLING FOR SPRING DELIVERY. HE INDICATED THAT, VIEW WORLD STEEL SUPPLY SHORTAGE AND TIME NECESSARY FOR CONSIDERATION OF BIDS, THIS IS TOTALLY UNREALISTIC. HE BELIEVES THAT BRAZILIANS ARE CALLING FOR BIDS AT THIS TIME ONLY TO OBTAIN ESTIMATE OF PRICING FROM U.S. AND FOREIGN SUPPLIERS. IT IS INTERESTING TO NOTE THAT FERNANDEZ REMARKS RE BIDDING DIFFICULTIES ARE SAME AS THOSE RAISED BY PULLMAN-STANDARD.

3. WHEN INFORMED OF CONGEN'S REPORT THAT ONLY AMERICAN FIRMS WILL BE INVITED TO BID UPON THIS LOT OF HOPPER AND REFRIGERATED CARS, FERNANDEZ STATED THAT HE HAS FIRST HAND INFORMATION THAT AT LEAST THREE FOREIGN FIRMS WERE INVITED BY THE BRAZILIANS: GREG COMPANY LIMITED (WITH OFFICES IN U.S. BUT PLANTS IN BELGIUM); MARINE INDUSTRIES LIMITED, MONTREAL; AND NATIONAL STEEL CAR CORPORATION LIMITED, HAMILTON, ONTARIO. ACCORDING FERNANDEZ, THESE FIRMS HAVE BEEN ASSURED BY BRAZILIANS THAT, WHILE EXIM FINANCING IS BEING REQUESTED, THEY SHOULD BID SINCE PAYMENT COULD BE MADE FROM LOCAL RESOURCES IF THEIR ORDERS WERE ACCEPTED. THIS INFORMATION TENDS TO REINFORCE ACF'S ESTIMATE THAT BRAZILIANS ARE FISHING FOR PRICES.

4. FERNANDEZ RAISED ANOTHER POINT WHICH SEEMS TO BE IMPORTANT TO ACF. HIS FIRM HAS REQUESTED THAT BID SPECIFICATIONS AND TENDERS SHOULD BE IN ENGLISH OR ANOTHER COMMONLY ACCEPTED INTERNATIONAL LANGUAGE. CONCERN IS THAT REDE OFFICLAS ARE PRESSING FOR USE PORTUGUESE SINCE IT IS HIGHLY IDIOMATIC AND WILL REQUIRE THAT BRAZILIAN MIDDLEMEN BE RETAINED TO TRANSLATE OFFERS. ACF SEEMS TO FEEL THAT THIS QUESTION IS INDICATIVE OF BRAZILIAN ATTITUDE THAT MAXIMUM SQUEEZE BE APPLIED TO BIDDERS.

5. FINALLY, FERNANDEZ STATED THAT ACF WILL EXERCISE EXTREME CAUTION RE TERMS OF ANY SALE TO BRAZIL. HE CLAIMS THAT SEVERAL YEARS AGO A FOREIGN SUPPLIER AGREED TO LOCAL CONFIDENTIAL

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ASSEMBLY OF RAILCARS DELIVERED TO BRAZIL UNDER A FIXED-COST CONTRACT ONLY TO FIND THAT BRAZILIANS INCREASED LOCAL WAGE RATES BY 300 PERCENT AFTER EQUIPMENT WAS DELIVERED.

6 FOREGOING CONSIDERATIONS NOTWITHSTANDING, ACF ANXIOUS TO BID JOB WHEN SPECS RECEIVED BYT CAUTIONED MEPD THAT ANY US SUPPLIER SHOULD PROCEED WITH CAUTION IN FACE

NUANCES OF LOCAL MARKET.

7. THIS REPORT TRANSMITTED FOR CONGEN'S BACKGROUND. CONVERSATION APPEARS HIGHLY REVEALING REGARDING ATTITUDE AT LEAST ONE U.S. FIRM TOWARD RAILCAR ACQUISITION PROGRAM AND GENERAL PROBLEMS THAT MAY BE ENCOUNTERED IN BRAZIL. WE ARE NOT IN POSITION TO EVALUATE ACCURACY FERNANDEZ STATEMENTS NOR TO SUGGEST THAT THESE POINTS BE RAISED WITH BRAZILIANS. IF CONGEN WISHES USE THIS INFORMATION IN CONVERSATIONS WITH LOCAL OFFICIALS, ITS SOURCES SHOULD BE PROTECTED.

8. SINCE SPECIFICATIONS HAVE NOT YET ARRIVED COMMERCE AND SINCE PULLMAN AND ACF WILL BOTH FACE SIMILAR ENGINEERING PROBLEMS BEFORE PREPARING BIDS, MEPD DOES NOT WISH REQUEST EXTENSION UNTIL NOVEMBER 14. THIS DATE APPEARS AS UNREALISTIC, UNDER CIRCUMSTANCES, AS OCTOBER 15. KISSINGER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: BMEP
Control Number: n/a
Copy: SINGLE
Draft Date: 23 OCT 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: worrelsw
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973STATE209056
Document Source: CORE
Document Unique ID: 00
Drafter: COM/BIC/OED/MEPD/JSMITH/LAW
Enclosure: n/a
Executive Order: RR
Errors: N/A
Film Number: n/a
From: SECSTATE WASHDC
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19731016/aaaaalmk.tel
Line Count: 132
Locator: TEXT ON-LINE
Office: ORIGIN COME
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 73 STATE 204378, 73 STATE 202713, RIO DE, JANEIRO 3798 ET AL
Review Action: RELEASED, APPROVED
Review Authority: worrelsw
Review Comment: n/a
Review Content Flags:
Review Date: 26 JUL 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <26-Jul-2001 by smithrj>; APPROVED <09-Aug-2001 by worrelsw>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: RAILWAY CARS FOR BRAZIL
TAGS: BR
To: RIO DE JANEIRO BRASILIA SAO PAULO
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005